

BEST PRACTICES: TRANSFORMING YOUR BILLING PROCESS

Market Perspectives from Industry Thought Leaders

How Improved Billing Can Help Offset Rising Costs

By J. Peter Donlon, Executive Vice President, API Outsourcing, Inc., July 2005

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The Rising Cost of Doing Business

Rising energy prices, rising healthcare costs and the weak performance of the dollar are the lead causes for CEO's low confidence in the economy, according to a recent survey conducted by Chief Executive Magazine. Rising prices of raw materials for production and higher costs associated with regulatory compliance have squeezed margins considerably. On top of all this, interest rates are projected to continue to increase which makes it essential for CEOs and CFOs to strengthen cash management and reduce the need for short-term financing.

In response to these challenging macroeconomic pressures, leading companies are increasingly making the decision to outsource the manual and paper-dependent billing process. Similar to the decision to outsource other business processes over the past number of years, today's decision to outsource the billing function is driven by a need to reduce operating costs, improve accuracy, respond to financial compliance issues, and essentially, gain control over a back-office function that has historically been plagued by an under-investment in staff and technologies.

Why Outsource Your Billing Process?

Managing your receivables cycle lies at the core of managing cash flow and the resultant reduction in Days Sales Outstanding (DSO) has assisted scores of companies to literally save millions of dollars. An effective and efficient billing process is the cornerstone to this solid financial foundation.

According to the National Bureau of Economic Research, this economic expansion has now surpassed 40 months, whereas the average recovery period has historically been just 35 months. A further economic slowdown would result in many more challenges for those companies that have not made the necessary investments in their billing process.

What Benefits Should You Expect?

In a recent research effort, IDC concluded: "Finance and accounting processes can be breeding grounds for inefficiency, laden with manual and redundant processes, priming

them to be outsourced." Leading companies that outsource their billing process should expect to see many of the following business benefits:

Days Sales Outstanding Reduced

Outsourcing the billing function can have a significant impact on your DSO. Companies who outsource their billing functions often experience a reduction in their DSO of between 6 and 17 days.

Processing Costs Reduced

Outsourcing the billing process, which is often fragmented across numerous business units and systems, can dramatically streamline the function and automate routine duties. On average, many companies experience a reduction in processing costs of 30%-60% through outsourcing.

High Fixed Cost Structures Eliminated

Outsourcing the billing function can improve your finances by converting the back-office cost from a fixed cost to a variable cost. Outsourcing's pay per consumption method means that as your company's billing needs expand or contract, the processing fee for your billing service will mirror this trend and your costs will align more closely with your company's business cycles.

Financial Control and Compliance Strengthened

The media is constantly reminding us of the importance for companies to have a sound finance and accounting strategy and the passage of the Sarbanes-Oxley Act in 2002 served to add to this urgency. Back-office financial transaction processing is critical to responding to this responsibility. Mishandling of financial information, including billing information, can result in significant personal and corporate risks. Many companies that have outsourced their billing process have achieved improved quality of governance and compliance. In fact, according to a recent study conducted by Accenture 73% of respondents who had outsourced a financial process reported that because outsourced processes are better defined and documented, there was better clarity and accuracy of financial figures.

Efficiencies Enhanced with Leading-Edge Technology

One of the advantages of working with an outsourcing partner is that your company doesn't have to make investments in the latest hardware or software or support upgrades. Advancements and changes in technology are the sole responsibility of the outsourcing company. So while an outsourcer will require minimal upfront or ongoing capital investments, their client companies are able to take immediate advantage from productivity improvements.

"Best in Class" Standards Achieved

Many billing process outsourcers develop extensive focus and expertise. This experience working with a wide range of client companies across industries exposes the outsourcer to existing and emerging best business practices. The process knowledge is then utilized to transform existing billing operations and provide strategic insights that match your company's unique and specific business needs.